

CHESHIRE FIRE AUTHORITY MEDIUM TERM FINANCIAL PLAN - 2019 TO 2022

1. INTRODUCTION

1.1. The purpose of the Medium Term Financial Plan (MTFP) is to provide the Authority, staff, the public and other stakeholders information on the financial outlook and the estimated available financing over the next three years. The MTFP takes into account future high level potential revenue and capital expenditure over the period based upon current information.

2. THE BUDGET STRATEGY 2019/20

2.1. Cheshire Fire Authority is the public body responsible for ensuring local communities are protected by an effective fire and rescue service. In 2015 the Authority approved a five year strategy, 'Planning for a Safer Cheshire', that outlined challenges facing the organisation and set out the principles it would adopt in responding. This is supported by a series of annual action plans or Integrated Risk Management Plans (IRMPs) as they are also known.

2.2. Our draft action plan, Making Cheshire Safer: Our Plans for 2019-2020, is the final annual action plan during the period of the five year strategy. A full version of the IRMP and further information can be viewed on the Service's website www.cheshirefire.gov.uk. The Authority has commenced work on a 'Whole Service Review' to align the provision of services to future resources and priorities. This review is currently ongoing and will set the future direction of the Service for the period 2020-2024. The review will be developed using our Customer Relationship Management (CRM) model and will be informed by incident data, risks, statistics, information sources and feedback, as well as the outlook for public finances.

2.3. When determining the budget proposals and potential council tax increases, due consideration is taken of budgetary pressures and possible savings alongside anticipated funding changes over the medium term. Government grant funding has been guaranteed up to 2019/20 and is reflected in this MTFP. However, beyond this timeframe, funding is an estimate as it is dependent on the outcome of the Government's next Spending Review due in 2019.

2.4. Under the Policing and Crime Act 2017, a duty is placed upon emergency services including Fire and Rescue Services to keep under consideration whether pursuing collaboration with one or more other relevant emergency services in England could be in the interests of the efficiency or effectiveness of that service and those other services. The Authority has a good track record of collaborating with partners and in 2015 agreed to sharing headquarters and back office support with Cheshire Constabulary under the Blue light Collaboration project. All the relevant staff from departments such as Finance, HR, Legal etc., have now transferred over to the Constabulary and are providing corporate and transactional services to both Cheshire Constabulary and Cheshire Fire and Rescue Service.

3. FINANCIAL SCENARIO

- 3.1. It is imperative that the MTFP takes account of the regional, national and global economic climates, particularly in light of extended austerity and the vote to leave the European Union and should consider how impacts might be managed and/or mitigated.
- 3.2. The Authority receives its main funding from two sources – Government funding and local council tax (known as a precept). Government funding has been reducing over a number of years. In 2015, the Authority successfully applied for the four year settlement agreement which gave certainty to it for funding up to and including 2019/20. The Chancellor announced that a spending review would be undertaken in 2019 and therefore, the forecast for funding beyond this point is uncertain.
- 3.3. Government funding is provided through a Settlement Funding Assessment (SFA) which includes Revenue Support Grant (RSG) and Baseline Funding (i.e. Business Rates paid over to the Authority by the four local authorities), and a Top Up grant from Government to provide a minimum agreed funding level. However, there is likely to be some volatility in the level of Business Rates available as part of Baseline Funding due to fluctuations in rateable appeals, business growth etc.
- 3.4. A precept is levied on the council tax to partly fund the fire and rescue services in Cheshire and it is the responsibility of the Authority to set the level of precept as part of the annual budget setting process. To calculate the level of funding, each local authority calculates the taxbase (the assimilated number of council tax bills issued) taking into account changes in the number of houses, housing benefits, discounts etc. These vary each year and the MTFP includes assumptions for these changes based on discussions, past performance and forecasts supplied by the local authorities.
- 3.5. In recent years the Government has set a cap on the amount by which a local authority can increase its Council Tax each year. The cap which applied to this Authority was previously 2%, but for the 2018/19 and 2019/20 financial years the cap was increased to 3%. The Authority may increase its Council Tax above this level, but can only do so after approval by the local electorate through a referendum. For the purpose of this MTFP it is assumed that the 2% capping limit will be reintroduced from 2020/21.
- 3.6. Each year Council Tax and retained Business Rate income is calculated based on assumed levels of collection rates by the local authorities. This means that, at the end of each year, an adjustment has to be made to reflect the actual collection rates. This can lead to a surplus or deficit on the fund which is accounted for within the calculation of the net budget requirement. The Authority receives or pays its share of the surplus or deficit on these collections funds.
- 3.7. Based on the above, the following table sets out the forecast funding available over the period of the MTFP. Although there are proposed increases in council tax included within this table, the actual decision to increase or not remains with the Authority each year as part of their budget setting process.

Funding:	2019/20 £000	2020/21 £000	2021/22 £000
Government - Settlement Funding Assessment	(13,428)	(12,931)	(12,721)
Section 31 Business Rates Grant	(653)	(300)	(200)
Collection Fund (surplus)/deficit - business rates	85	100	100
Precept (Council Tax)	(29,084)	(29,966)	(30,874)
Collection Fund (surplus)/deficit - council tax	(382)	(100)	(100)
Total Funding	(43,461)	(43,197)	(43,795)
Council tax base	374,117	377,929	381,772
Precept (Council Tax - Band D)	£77.74	£79.29	£80.87
Forecast % increase	2.99%	1.99%	1.99%

4. FINANCIAL ASSUMPTIONS

4.1. The level of expenditure incurred increases each year based on a number of factors such as pay awards, inflation and additional demands or burdens. The following lists the financial assumptions included within the MTFP:

- Pay inflation – 2% per annum throughout the MTFP period
- Price inflation – in line with the Office of National Statistics and known specific increases
- Borrowing – additional borrowing is required to meet the planned capital programme, although the exact timing will depend on spend and interest rate movement. Interest payable is based on forecast interest rates set by the Treasury Management Advisors.

5. FINANCIAL FORECASTS 2019-22

5.1. It is important to note that the MTFP is a high level strategy document which summarises plans over the medium term based upon current projections and assumptions. As additional updated information becomes available it will be subject to change. A certain amount of detailed budget information is presented, such as the table below. However, this should be regarded as indicative and illustrative. The MTFP will inform the Authority's budget setting process, as will other tools such as consultation with residents. The figures quoted here will be amended and refined as additional information comes to light and the detailed annual budgets are developed.

5.2. Based on current information, priorities and assumptions, the table below sets out an indicative budget for 2019/20 to 2021/22. The figures show the budget gap assuming a 2.99% increase in the Fire element of council tax for 2019/20 and 2% for all subsequent years, should the Authority approve this level of increase. Savings will need to be identified to meet these predicted shortfalls.

<u>Financial Forecasts</u>	2019/20	2020/21	2021/22
	£000	£000	£000
Base Budget	41,826	43,461	43,197
Inflation	877	896	915
Commitments	450	0	0
Growth - permanent	522	799	250
One-off items	1,142	0	0
	44,817	45,156	44,362
Funding:			
Government - Settlement Funding Assessment	(13,428)	(12,931)	(12,721)
Section 31 Business Rates Grant	(653)	(300)	(200)
Collection Fund (surplus)/deficit - business rates	85	100	100
Precept (Council Tax)	(29,084)	(29,966)	(30,874)
Collection Fund (surplus)/deficit - council tax	(382)	(100)	(100)
Total Funding	(43,461)	(43,197)	(43,795)
Budget Shortfall (before savings)	1,356	1,959	567

6. COMMITMENTS

6.1. Commitments come from two sources, decisions made in-year that have a permanent impact on future years and/or changes in legislation that have financial impact. At the Fire Authority meeting in February 2018, Members decided to retain the second wholetime fire appliance in Crewe and as such reverse the proposed saving. The £450k shown in the above table reflects the on-going impact of this decision and is built back into the base budget.

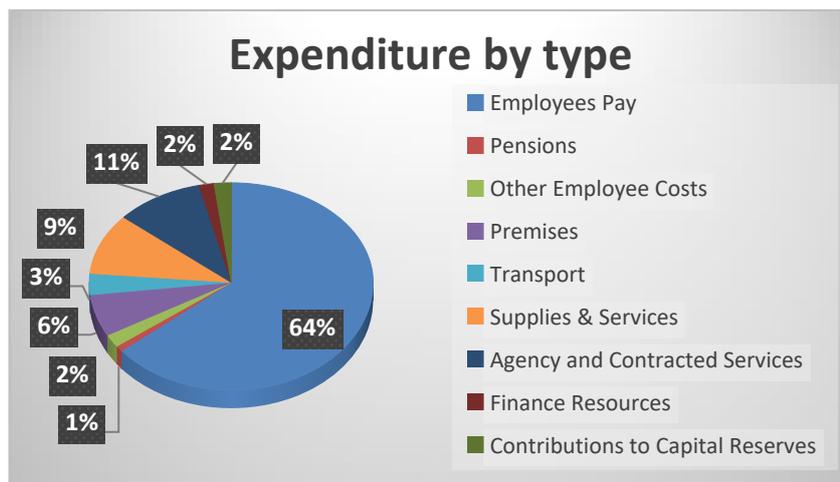
7. GROWTH

7.1. Growth can arise from a number of areas such as increased service demands, new burdens or temporary investment to support change etc. All growth is scrutinised through the Senior Management Team to ensure they reflect genuine growth and are in line with the vision, objectives and plans of the Fire Authority. Business cases are produced and shared with Members as part of the budget setting process.

7.2. Where growth is temporary and there are specific earmarked reserves set aside to support the associated spend, these reserves will be used to fund the growth. This growth is subject to the same scrutiny as permanent growth.

8. PROPOSED SAVINGS / EFFICIENCY PLAN

8.1. As part of the review of expenditure and the potential for further efficiencies and savings, it is important to understand how the Authority currently spends its funding. The following chart shows that 64% is spent on pay with the remaining funding spread over premises, transport etc.



8.2. A full and in-depth review has been undertaken of all non-pay budgets, challenging what is held and how it is spent. This has provided savings but left these budgets at a sustainable level for the future.

8.3. While savings have been identified for 2019/20 and presented within the budget report in February 2019, savings requirements in future years are will need to be developed. The Whole Service Review will play a significant part in helping the Authority balance its budgets.

9. RISKS & SENSITIVITY ANALYSIS

9.1. At the autumn 2017 budget, the Chancellor announced a full spending review would be undertaken in 2019 which will affect future Government funding. The outcome of this review remains uncertain at the current time. Equally, the impact of Brexit on the economy and therefore inflation and growth also remains a risk. The potential collective impact of these on the forecast budgets is not clear at this stage, therefore the actual position for 2020/21 could significantly change.

9.2. As with any assumptions there are risks that the actual outcome will be different. There are three key assumptions included within this MTFP that could impact significantly upon the figures presented in this MTFP. These are the level of government funding, the amount of council tax received and the level of pay awards agreed nationally. As such the following details the financial impact of changes to the levels assumed in Financial Forecasts table. It is also important to note that these changes would be cumulative as they represent a change to base level funding.

- For each change of 0.5% in the level of government funding, the impact would be either a reduction or increase in the budget gap of £69k.
- For every 0.5% above or below the proposed 2.99% Band D council tax increase for 2019/20, the impact would be a change in funding levels of £141k per annum.

9.3. Likewise a 0.5% movement in the firefighter Green Book pay award would have a potential £133k impact on the budget gap.

9.4. In December 2018, the Court of Appeal has ruled that the Government's changes to pensions with regard to judges and firefighters were discriminatory on the grounds of age. The Government may appeal. Therefore, the impact of the cast is unclear and this MTFP will be updated as and when further information is available.

10. INDICATIVE CAPITAL PROGRAMME

10.1. In addition to the revenue budgets, a programme of capital investment is proposed within the MTFP. Funding for these comes from reserves held by the Authority and borrowing. Spending profiles are indicative based on current knowledge and actual spend is monitored in year and reported to Members in the quarterly reviews.

10.2. The following tables shows the indicative capital programme and their proposed funding.

Project	Forecast 2019/20 £000	Forecast 2020/21 £000	Forecast 2021/22 £000
Previously approved schemes:			
Training Centre	8,800	1,549	
Chester Fire Station (incl. 5% contingency)	4,400	590	
Crewe Fire Station	1,300	3,500	
Fire Station Modernisation Programme	2,000	1,750	2,750
	16,500	7,389	2,750
Proposed New Schemes			
Appliance Replacement Programme	810	826	843
Support vehicles replacement programme	60	60	60
Animal Rescue Unit	30		
2 Rapid Response Units	60		
Replacement thermal image cameras	28	28	
4 wheel drive resilience vehicle (replacement)		30	30
Telehandler		50	
Server Replacement Programme		50	
Replacement MDTs		170	
Replacement tablets			150
Cadets vehicle			20
Co-responder Vehicle			20
Capital contingency on vehicle purchases (5%)			49
Operational Equipment - estimate			350
TOTAL	17,488	8,603	4,272

Capital Funding Proposals	Forecast 2019/20 £000	Forecast 2020/21 £000	Forecast 2021/22 £000
Use of Capital Receipts	0	0	100
Use of Capital Reserve	8,660	6,856	3,822
Use of Earmarked Reserves	28	198	450
Borrowing	8,800	1,549	0
	17,488	8,603	4,272